Dear Fellow Stockholders, Employees, Clients and Partners,

As we close the decade, begin a new one, and reflect on 2019, I am proud of the many positive accomplishments we have achieved together. Among these many accomplishments is the successful progression of our multi-year transformation to the cloud that provides the foundation for our growth in 2020 and beyond. Today, we are not only leading our own transformation but the transformation of the broader ecosystem as we empower data-driven healthcare across the country with the thousands of organizations we are proud to have as clients and partners. In the workplace, at home and around the world, we see a growing number of examples every day reflecting the importance of data-driven healthcare and the value of connectivity in the cloud. For years now, I have outlined in these letters our investment in the capabilities of the Inovalon ONE® Platform and our focus on becoming the enabling layer empowering data-driven healthcare for our clients. Every computational process that Inovalon has moved into cloud environments, every piece of software that the Company has designed to allow for our associates or our clients to do their jobs and achieve value impact from remote locations, and every EHR to which the Company has connected, have all been investments in our differentiation and value impact. These advancements also serve as investments in our ability to seamlessly operate and deliver meaningful value through a myriad of operating environments for our clients.

2019 was a great demonstration of the Company’s capabilities on many levels. You can see these efforts and accomplishments shine through in our client growth, recurring subscription-based revenue growth, primary source dataset growth, platform advancements, and overall financial results. In comparison to 2018, revenue increased 22% to $642.4 million. Gross margin increased 130 basis points to 73.9%. Adjusted EBITDA increased 39% to $210.7 million. Adjusted EBITDA margin increased 400 basis points to 33%. Non-GAAP net income per share increased 93% to $0.52 per diluted share, and Free Cash Flow increased 87% to $47.5 million.

The returns on our cloud innovation and sales organization investments are also reflected in the 111 new clients added to the Inovalon ONE® Platform throughout the year and our new sales Annual Contract Value (ACV) growth in the Fourth Quarter of 2019, which was $73.5 million, representing a 60% year-over-year increase. Recurring subscription-based platform revenue at year-end stood at 83% of total revenue, compared to 54% in 2016, reflecting the strong, growing adoption of Inovalon’s platform and client-engagement model, and driving more predictable long-term revenue growth. Impressively, since 2016, when the Company began its transformation to a cloud-based platform model, recurring subscription-based platform revenue has grown 27% on a compound annual growth rate basis.

At the core of Inovalon’s value proposition is the MORE® Registry®, which now contains more than 314 million unique patient counts and 53 billion medical event counts, an increase of 19% and 24% year over year, respectively, making it by far the largest primary source healthcare dataset of its kind in the country. This unparalleled data asset empowers and informs Inovalon’s industry-leading analytics and artificial intelligence, resulting in meaningful differentiation and enabling significant client value achievement across many capabilities of the Inovalon ONE® Platform portfolio.

It is Inovalon’s core belief that the application of data and its analysis is having a transformative impact on healthcare. Leveraging the power of data, the efficiency, scalability, and reach of cloud-based technologies and an industry-leading bench depth of subject matter expertise, Inovalon continues its history of innovation, empowering its clients and delivering improved outcomes and economics across the ecosystem.

In 2019, Inovalon’s innovation engine meaningfully advanced the capabilities of several cloud-based software offerings, enabling our clients to drive measurable value. Highlights included capability advancements in the Company’s cloud-based pharmacy platform (ScriptMed® Cloud), cloud-based clinical data extraction (CDEaaS®), cloud-based natural language processing (NLPAas®), and a significantly expanded number of artificial intelligence applications within the Platform. Additionally, during 2019, Inovalon moved into production its FHIR-enabled API toolset, providing data and data derivatives on-demand for cloud-based applications, allowing for real-time availability of data and analytics on a transactional basis.

The Company is still in the early innings of a long-term secular growth trend to help our clients drive meaningful value as they move into a data-driven healthcare world in the cloud. Through our strategic investments in the capabilities of the Inovalon ONE® Platform over the years, the Company has grown its current total addressable market to more than $160 billion. Within this opportunity, our toolsets can serve approximately $270 billion, representing a nearly three-fold increase from the $10.6 billion that we were able to serve just four years ago. And we are not stopping there. We are bringing to market the industry’s most advanced, most differentiated, cloud-based software platforms, with the greatest breadth of connectivity, the deepest access to primary source data, and the most advanced analytics to empower the transformation of data-driven healthcare.

Looking ahead, Inovalon’s mission to empower data-driven healthcare has never been more relevant for our clients, our employees, the country, and the world. I can say this confidently as a Founder, a CEO, a physician, a patient and a parent. We are well-positioned at this important time to help lead the data-driven transformation of the entire healthcare ecosystem — today and in the future.

As we enter 2020, we do so with significant strength, momentum, excitement, and a laser focus on driving long-term profitable revenue growth through innovation, technology leadership and fiscal prudence. I have never been more excited about the opportunities ahead for our Company and the value we can help drive for our clients, employees, partners and stockholders.

Thank you for your continued support on this incredible journey at such a meaningful time.

Kind regards,

KEITH R. DUNLEAVY, M.D.
Founder, CEO, and Chairman of the Board
April, 2020